

Gulf of Mexico Commercial Red snapper Fishery

Individual Fishing Quota (IFQ) Program

Frequently Asked Questions

November 2006



What is an Individual Fishing Quota (IFQ) program?

- IFQ programs are a type of dedicated access privilege program (DAPP), which provide individual fishermen or corporations the exclusive privilege to harvest a certain percentage of the total allowable catch (TAC) of a fishery.
- Most IFQ programs enable this exclusive harvest privilege to be bought and sold in the marketplace.
- Market-based fishery management programs have received increasing recognition over the last few decades as an effective way to better align the amount of fishing capacity in a fishery with the amount of fish that may be taken by the fishery, or the TAC.
- A priority of the Bush Administration outlined in the Ocean Action Plan is to double the number of DAPPs by the year 2010.

What is fishing capacity and why is it important?

- Fishing capacity is the ability of a fishing vessel or fleet of vessels to catch fish, and is generally measured by the number of vessels in a fleet, the size of each vessel, the technical efficiency of each vessel, and the time each vessel spends fishing.
- Fisheries with excess capacity are overcapitalized, meaning more time and money is invested in fishing capacity than is necessary to harvest the TAC.
- Over-investing improves fishermen's ability to compete with each other for their share of the TAC, but also reduces the efficiency and profitability of fishery operations.

Why are IFQ programs better than conventional fishery management tools in managing fishing capacity?

- By ensuring each program participant the opportunity to harvest a specific amount of the TAC each year, IFQ programs eliminate the need to compete for the TAC under derby-style fishing conditions and, consequently, the incentive to over-invest in fishing capacity.
- Fishermen who spend less time and money pursuing and harvesting their share of the TAC profit more from the sale of their catch.
- IFQ programs compensate inefficient, unprofitable fishermen for exiting the fishery by enabling them to sell their IFQ share to more efficient, profitable fishermen.
- Conventional fishery management programs, even those that limit access to a fishery, do not provide the same degree of compensation to those fishermen who choose to exit the fishery

because limited access permits are not as valuable as exclusive harvest privileges. As a result, fishermen often remain in fisheries managed under conventional management programs even when profits are low.

Have IFQ programs been tried and tested?

- IFQ programs have been used worldwide since the late 1970s.
- Canada, New Zealand, and Iceland are a few of the countries that have significant experience with IFQ programs.
- IFQ programs implemented in the United States include:
 - the Mid-Atlantic surf clam and ocean quahog IFQ (1990);
 - the South Atlantic wreckfish IFQ (1992);
 - the Alaskan halibut and North Pacific sablefish IFQ (1995); and
 - the Bering Sea/Aleutian Islands crab rationalization program (2005).
- A number of regional fishery management councils are currently developing IFQ program proposals for additional U.S. fisheries.
- Also, some U.S. fisheries are managed under similar, market-based, DAPPs. For example:
 - the Western Alaska Community Development Quota Program allocates a portion of the TAC of all federally-managed Bering Sea and Aleutian Island fisheries to eligible communities in Western Alaska to use for community and economic development;
 - the Pacific Whiting and Bering Sea Pollock Cooperatives allocate a portion of the Pacific whiting and Bering Sea pollock TACs, respectively, to defined gear groups or sectors; and
 - the Gulf of Alaska rockfish pilot program permits harvesters to form voluntary cooperatives and receive an exclusive harvest privilege to groundfish species in the Central Gulf of Alaska.

How will the Gulf of Mexico commercial red snapper fishery change under an IFQ program?

- Overcapacity and derby-style fishing conditions shortened the commercial red snapper fishing season to just 77 days, on average, from 1996 through 2003.
- Past regulations were designed to prolong the fishing season by making fishermen inefficient; for example, by restricting the times during which red snapper can be targeted and the amount of red snapper that can be landed per trip.
- These regulations had limited success slowing the race to harvest the commercial portion of the red snapper TAC (commercial quota), but did not address the underlying problem of an excessive amount of fishing capacity relative to the available commercial quota.
- The IFQ program will eliminate restrictive season and trip limitations, and provide program participants the flexibility to take their share of the commercial quota during times, in places, and using methods that are best suited to their individual business operations and strategies.

What are the expected benefits of the IFQ program?

- Allowing IFQ program participants to decide when, where, and how to take their share of the commercial red snapper quota is expected to:
 - increase fishery efficiency and profitability by enabling fishermen to reduce their operating costs to a level that maximizes their earnings;
 - provide consumers the ability to purchase fresh fish during longer periods of the year;

- improve the quality of red snapper sold in the market;
- increase safety at sea;
- improve compliance; and
- reduce bycatch and habitat-related impacts.

Do affected fishermen support the IFQ program?

- NOAA Fisheries Service conducted two referendums on the red snapper IFQ program, both of which were required by the Magnuson-Stevens Fishery Conservation and Management Act.
- A majority of eligible voters in the first referendum, conducted in February 2004 (69 FR 6921), voted in favor of the Gulf Council developing an IFQ program proposal in Amendment 26 to the Reef Fish Fishery Management Plan.
- A majority of eligible voters in the second referendum, conducted in January 2006 (71 FR 913), voted in favor of the Gulf Council submitting the IFQ program proposal to the Secretary of Commerce for review, approval, and implementation.

When will the IFQ program become effective?

- The IFQ program will become effective January 1, 2007.

Who will be eligible to participate in the IFQ program?

- Everyone who owns a current red snapper license on November 22, 2006, will be eligible to receive IFQ shares and allocation if red snapper landings were reported under their license during the qualifying time period.
 - The qualifying time period for Class 1 licenses is 1990 through 2004.
 - The qualifying time period for Class 2 licenses, and for Class 1 licenses issued on the basis of historical captain status, is 1998 through 2004.
- Current owners of red snapper licenses with zero landings reported during the qualifying time period will not receive IFQ shares or allocation because they have not demonstrated an historical dependence on the fishery as required by the Magnuson-Stevens Fishery Conservation and Management Act.
- However, everyone who owns a valid commercial Gulf of Mexico reef fish permit will be eligible to purchase IFQ shares and allocation from current IFQ shareholders for the first five years of the IFQ program. After January 1, 2012, all U.S. citizens and permanent resident aliens will be eligible to purchase IFQ shares and allocation.
- Everyone who possesses a valid commercial Gulf of Mexico reef fish dealer permit will be eligible to participate in the IFQ program as a dealer.

What is the difference between IFQ share and allocation?

- An **IFQ share** is the percentage of the commercial quota assigned to each eligible IFQ shareholder at the start of the IFQ program. With limited exceptions, the amount of the IFQ share allocated to each IFQ shareholder will not change unless the IFQ shareholder sells all or a portion of his or her IFQ share, or purchases additional IFQ shares from another IFQ shareholder. IFQ shares can be sold, but cannot be used to possess, land, or sell red snapper unless the IFQ shareholder also possesses IFQ allocation.
- **IFQ allocation** is the actual poundage of red snapper each IFQ shareholder is ensured the opportunity to possess, land, or sell, during a given calendar year, provided they possess a

valid commercial Gulf of Mexico reef fish permit and meet other program requirements. IFQ allocation will be distributed to each IFQ shareholder at the beginning of each calendar year, and will expire at the end of each calendar year.

What determines the amount of IFQ share and allocation each eligible program participant receives?

- The **IFQ share** allocated each program participant is determined by the amount of the red snapper landings reported under his or her qualifying license during a specific time period:
 - The IFQ share allocated each current owner of a Class 1 license is based on the ten consecutive years from 1990 through 2004 during which landings reported under the license were highest.
 - The IFQ share allocated each current owner of a Class 1 license issued on the basis of historical captain status is based on the seven years of landings data reported under the license from 1998 through 2004.
 - The IFQ share allocated each current owner of a Class 2 license is based on the five years from 1998 through 2004 during which landings reported under the license were highest.
- IFQ shares are allocated in direct proportion to the amount of landings reported under a red snapper license during the qualifying time period relative to that of other red snapper licenses. As a result, owners of red snapper licenses with larger than average landings during the qualifying time period will receive larger than average IFQ shares. Conversely, owners of red snapper licenses with smaller than average landings during the qualifying time period will receive smaller than average IFQ shares.
- The **IFQ allocation** assigned each IFQ shareholder at the start of each calendar year will be determined by the amount of his or her IFQ share and the amount of the annual commercial red snapper quota.

What is the amount of the 2007 commercial red snapper quota?

- Fishery managers are currently considering reducing the red snapper TAC to end overfishing within the time frame approved in the red snapper rebuilding plan.
- For this reason, the IFQ program specifies a two-step process for distributing 2007 IFQ allocations. This two-step process requires NOAA Fisheries Service to:
 - issue initial 2007 IFQ allocations based on an initial commercial red snapper quota of 2.55 million pounds whole weight; then
 - issue the remaining balance of 2007 IFQ allocations, if any, after the actual 2007 commercial quota becomes effective and no later than July 1, 2007.
- The red snapper TAC NOAA Fisheries Service is currently considering for the 2007 fishing year is 6.5 million pounds whole weight. If proposed, approved, and implemented, this red snapper TAC would result in a 2007 commercial red snapper quota of 3.315 million pounds whole weight.

Which IFQ program determinations can be appealed, and how does the appeals process work?

- Items subject to appeal are limited to initial eligibility, the accuracy of the landings data reported under a red snapper license, and the correct assignment of red snapper landings to a license owner.
- Persons who wish to appeal a determination regarding one of these items must:

- describe the nature of the dispute in a letter to the Regional Administrator (RA) of NOAA Fisheries Service Southeast Regional Office;
- include supporting documentation; and
- postmark the appeal letter no later than April 1, 2007.
- Landings data from 1990 through 1992 are not subject to appeal. Appeals of landings data from 1993 through 2004 will be resolved using logbook records submitted to NOAA Fisheries Service Southeast Fisheries Science Center. If Science Center logbooks are not available, then state landings records or other data submitted on or before June 30, 2005, may be considered.
- Hardship arguments will not be considered.
- The IFQ program requires NOAA Fisheries Service hold three percent of the available IFQ shares in reserve until all appeals have been resolved. Any balance or deficit in this appeals “set-aside” will be proportionately redistributed among all IFQ shareholders following the completion of the appeals process.

How will the IFQ program prevent one or more commercial reef fish permit holders from purchasing all the available IFQ shares and monopolizing the fishery?

- The IFQ program specifies that no single person or corporation can individually or collectively obtain an amount of IFQ share that exceeds the maximum IFQ share issued to a person or corporation in the initial year of the program.
- The maximum IFQ share issued to an IFQ shareholder is currently estimated to be 6.0727 percent of the total commercial quota, but will not be finalized until all appeals have been resolved.
- The IFQ program does not limit the amount of IFQ allocation that may be purchased or held by a person or corporation during a given calendar year.

How will the IFQ program be monitored and enforced?

- All IFQ share and allocation transactions will be recorded, monitored, and approved by NOAA Fisheries Service using an electronic accounting system.
- Program participants may access the system through an Interactive Voice Response (IVR) System (1-866-425-7627) or through the IFQ Program Web site, located at: <https://ifq.sero.nmfs.noaa.gov/ifqrs/index.cfm>.
- NOAA Fisheries Service will mail all IFQ shareholders and dealers a unique User ID and PIN to use in establishing an online IFQ account.
- Other IFQ program requirements that will assist NOAA Fisheries Service in monitoring red snapper landings and transactions include, but are not limited to, a landings notification requirement and a restriction on the time during which red snapper may be offloaded.

How will accidental overages be addressed?

- The electronic accounting system used to manage IFQ share and allocation transactions enables fishermen to purchase additional IFQ allocation at sea, if needed, in the event they accidentally harvest an amount of red snapper that exceeds their IFQ allocation.
- The IFQ program allows IFQ shareholders (or those persons landing the IFQ allocation of an IFQ shareholder) to exceed, by up to ten percent, the IFQ shareholder’s allocation remaining on the last fishing trip of the fishing year. However, the amount of any such accidental

overage will be deducted from the amount of IFQ allocation allocated the IFQ shareholder the subsequent year.

- This accidental overage provision does not apply to fishermen who possess IFQ allocation but do not possess IFQ shares, because those fishermen will not receive IFQ allocation the subsequent year from which the accidental overage can be deducted.

Who will pay the cost-recovery fee?

- IFQ fishermen will be charged an administrative fee to recover a portion of the costs required to manage and enforce the IFQ program.
- The cost recovery fee is currently defined to equal three percent of the ex-vessel value of the landed fish.
- IFQ dealers are responsible for collecting the cost recovery fee from the IFQ allocation holder at the time of each sales transaction, and submitting cost recovery fees to NOAA Fisheries Service on a quarterly basis.

How can I learn more about commercial red snapper IFQ program requirements and the responsibilities of IFQ shareholders, allocation holders, and dealers?

- The final rule implementing the IFQ program describes the complete list of program requirements, and is available to download at:
<http://sero.nmfs.noaa.gov/sf/RedSnapper/RedSnapperDocs.htm>.
- The Gulf Council's [Amendment 26](#) to the Reef Fish Fishery Management Plan is available to download at:
<http://www.gulfcouncil.org/Beta/GMFMCWeb/downloads/Amend26031606FINAL.pdf>.
- NOAA's Fisheries Service and Office of Law Enforcement are currently conducting the last of a series of IFQ training workshops at the following locations throughout the Gulf of Mexico region:
 - Destin, Florida (November 27, 2006)
 - Orange Beach, Alabama (November 28, 2006)
 - Lake Charles, Louisiana (November 29, 2006)
 - Corpus Christi, Texas (November 30, 2006)
- Please call NOAA Fisheries Service's Southeast Regional Office's Sustainable Fisheries Division at (727) 824-5305 for additional information on the IFQ training workshops or other aspects of the IFQ program.